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Financing Development of Local Government in Ontario



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Treasurer of Ontario and
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Preface

In the 1970's, public priorities and the growth pressures on government services are increasingly concentrating at the level of local government. Present revenue sources available to local governments—notably property taxes—are increasingly inadequate to finance these service demands and the costs of orderly urban development. This problem must be corrected if our municipalities are to meet the challenge of managing growth and financing essential public services.

This volume contains a paper titled, *Financing Development of Local Government*, which accompanied my 1974 Budget Statement to the Legislative Assembly of Ontario. It is reprinted here to make it available in convenient form to municipal councillors, officials and interested citizens.

I believe that this study provides a useful background to the vital questions of intergovernmental finance which are currently under discussion in Canada. It documents and analyzes the financing record of local governments in Ontario over the past five years. It sets out fiscal projections for the future and shows the positive impact of the Province's financial commitment to local governments, as set out at the National Tri-Level Conference in Edmonton. It also advances a comprehensive revenue-sharing proposal which involves fundamental reform of intergovernmental financial arrangements. While this paper focuses on the experience of local governments in Ontario, I believe it documents the need to create a permanently sound financial base for local governments in Canada as a whole.

Treasurer of Ontario
June, 1974



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Budget Paper B

Financing Development of Local Government

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Financing Development of Local Government

I Introduction

During the past five years, local government in Ontario successfully met the challenges arising from rapid growth. The increasing demand for local services, and accelerating urban development have all been met without producing a serious imbalance between tax levels in different parts of the province. In addition, the range of local services has been maintained and extended while the level of property taxes has stabilized.

This record in large part reflects the impact of Ontario's two-part reform program, initiated in 1969, for improving the structural and financial basis of local government.¹ This paper documents the record of the local government sector over the past five years with respect to local expenditures, property taxation, borrowing and Provincial transfers. It also looks ahead to the next three years and presents a set of proposals to maintain the financial viability of the local sector.²

The outlook for local government finance raises the essential question of the capacity of local government revenues and enriched Provincial transfers to successfully accommodate even moderate levels of local spending growth. It is clear that new measures are required to bolster local revenue capacity while at the same time ensuring a fair and even distribution of the total tax burden in Ontario.

II Overview of Local Government: 1968-73

Local government in Ontario has progressed within an environment of dynamic social and economic change. During the past five years there has been a high rate of growth in the economy, accompanied by strong urban development pressures.

¹Hon. Charles MacNaughton, "Reform of Taxation and Government Structure in Ontario", *Ontario Budget 1969* (Toronto: Department of Treasury and Economics, 1969).

²Hon. John White, *Fiscal Policy Management & Tax Sharing Reform*, Statement to the Meeting of Ministers of Finance, Ottawa, 1973.

Ontario Budget 1974

During the period, there was a high rate of new household formation and a high rate of economic growth. This created a strong demand for local services. It also meant that local financing needs far outstripped the growth in property tax revenues. These trends are summarized in the following tables.

Economic and Social Development
in Ontario: 1968-73

Table 1

	1968	1970	1972	Est. 1973	% Growth 1973/1968
Gross Provincial Product (\$ billion)	29.2	35.0	41.9	48.1	65
Population (000)	7,306	7,554	7,825	7,938	9
Households (000)	2,173	2,400	2,554	2,671	23
Students (000)	1,979	2,022	2,081	2,069	5
Construction Investment (\$ billion)	3.5	4.1	5.3	5.6	60
Real Property Assessment (\$ billion)	49.5	64.6	69.5	73.4	48
Housing Units					
Single Family (000)	34.2	26.2	46.2	50.7	48
All Residential (000)	80.3	76.7	102.9	110.5	38
Personal Income (\$ billion)	17.6	21.7	27.1	29.6	68
Average Income per Household (\$)	8,145	9,041	10,612	11,082	36

During the five-year period, total local expenditures increased from \$2.9 billion to \$4.5 billion. Ontario transfers to local government were the major source of financing this growth in local spending. At the same time, the property tax burden was stabilized and the equity of the tax itself was significantly improved.³ These trends are analyzed in Section III of this paper.

Financing Overview: 1968-73
(\$ million)

Table 2

	1968	1970	1972	1973	% Growth 1973/1968
Spending	2,901	3,505	4,185	4,469	54
Own-account Revenues	1,972	2,229	2,519	2,594	32
Ontario Transfers	929	1,276	1,666	1,875	102

Structural Reforms

Beginning with the establishment of the Regional Municipality of Ottawa-Carleton in 1969, a number of comprehensive measures were implemented to improve the structure and organization of local govern-

³Hon. W. Darcy McKeough, *Ontario Budget 1972* (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, 1972).

ment. These involved consolidation of jurisdictions, boundary changes and transfers of responsibility:

- School boards were consolidated into 182 units from about 1400 separate jurisdictions.
- Regional and district municipalities were established in 11 areas: Niagara, Ottawa-Carleton, Waterloo, York, Halton, Hamilton-Wentworth, Peel, Durham, Sudbury, Muskoka, and Haldimand-Norfolk.

Including Metropolitan Toronto, almost two-thirds of Ontario residents live within the jurisdiction of restructured municipal governments. The establishment of these new units has created a framework within which municipalities can:

- plan for more orderly development;
- provide services more effectively in rapidly growing areas;
- establish priorities for financing; and
- create more equitable means of cost sharing among residents.

Increased Financial Support

Ontario has introduced new financial support measures and enriched existing programs in each successive year since 1969. These programs have involved large increases in payments to local government and direct reform measures for residential and farm taxpayers. These new measures are summarized below:

Payments to Local Government

- Higher Level of Education Support
- Property Tax Stabilization Plan
- Enriched Grants
- Unconditionalizing Provincial Grants
- Broadening the Local Tax Base

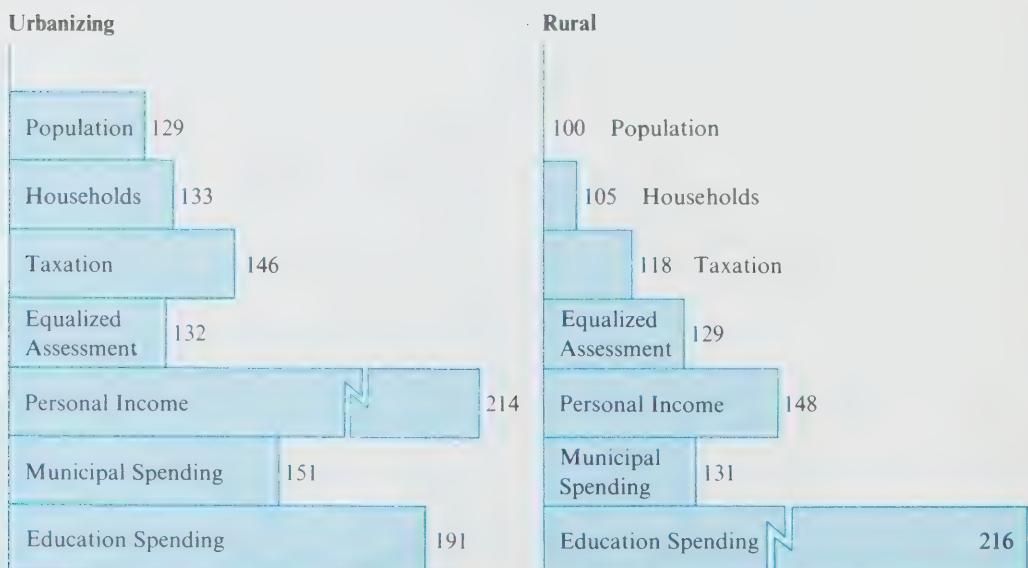
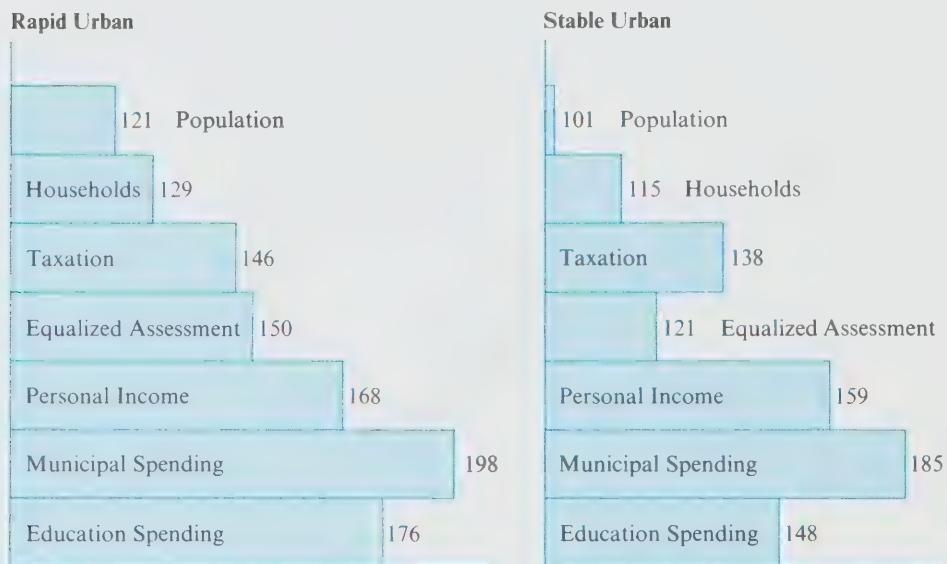
Payments to Taxpayers

- Property Tax Credits
- Pensioner Tax Credits
- Farm Tax Rebates

The analysis in Section III of this paper documents the impact of these financial reforms initiated by the Ontario Government. It shows that these measures were by far the major factor in the ability of the local sector to finance urban development and contain property tax burdens.

Patterns of Expenditures Related to Growth for
Selected Municipal Categories: Index 1973/1968
(1968 = 100)

Chart 1



Differential Growth Patterns

A better appreciation of local government finance includes recognition of the differences among local growth rates, demands for services and imbalances in the tax base. Accordingly this paper, in addition to documenting the performance of the total sector, uses a sample to analyze four types of local government. The categories are:⁴

1. *Rapid Urban*: Population growth rate of 9 per cent or more over the period 1968-73 (e.g. Oshawa, Barrie and North York).
2. *Stable Urban*: Population growth of less than 6 per cent over the period (e.g. Owen Sound, Sarnia and Cobourg).
3. *Urbanizing*: Semi-rural areas with a population growth in excess of 9 per cent (e.g. Orangeville and the Townships of Innisfil and Ernestown).
4. *Rural*: Population growth below 6 per cent (e.g. the Townships of Raleigh and Burford).

The accompanying chart summarizes the development patterns for each of the four categories with respect to increases in households, assessment, personal income and spending. Rapid Urban areas experienced high growth in new households, personal income and total spending and the highest rate of assessment growth. Stable Urban areas experienced lower rates of growth in new households, assessment and spending. Urbanizing areas experienced the highest growth in new households, only a modest increase in equalized assessment but a high rate of growth in education spending as would be expected. In contrast, the slower-growth Rural areas recorded the lowest growth in taxation despite a large increase in education spending.⁵

III Financing Record

This section outlines the local government financing record over the past five years. In particular it focuses on:

- the contribution of different revenue sources to local financing;
- financing trends in municipalities with different rates of growth and development; and
- expenditure trends and priorities.

The overall composition of local government financing at the beginning and end of the five-year period is documented in Table 3. Over the period, total local spending increased from a base of \$2.9

⁴See the Appendix to this paper.

⁵See forthcoming Staff Paper, *Patterns of Growth and Financing among Ontario Municipalities*.

Composition of Local Government Financing

Table 3

	—1968—		—1973—		% Growth 1973/1968
	(\$ m.)	(%)	(\$ m.)	(%)	
Provincial Transfers	929	32.1	1,875	42.0	102.0
Own-account Revenue					
Borrowing	354	12.2	396	8.9	11.9
Other Revenue	316	10.9	435	9.7	37.7
Residential Taxation ¹	764	26.3	1,040	23.2	36.1
Commercial Taxation	538	18.5	723	16.2	34.4
Total Financing	2,901	100.0	4,469	100.0	54.1

¹Before rebates to citizens from Ontario Property Tax Credit System.

billion in 1968 to almost \$4.5 billion in 1973. The financing mix changed dramatically over the period. Less reliance was placed on own-account revenues as Provincial transfers took up an increasing share of total local financing.

Another way of viewing this trend is to examine the financing composition of additional spending since 1968. By 1973, local government expenditures were about \$1.6 billion higher than in 1968. The Province financed 60 per cent of this increased spending.

How Spending Growth from 1968 to 1973 was Financed

Table 4

	(\$ million)	percent contribution
Provincial Transfers	946	60.3
Own-account Revenue		
Residential Taxation	276	17.6
Commercial Taxation	185	11.8
Other Revenue	119	7.6
Borrowing	42	2.7
Total	1,568	100.0

Borrowing

Local government did not have to utilize its full borrowing potential over this period. In 1973, total local borrowing of slightly less than \$400 million had not increased markedly from the 1968 level. All four categories of municipalities relied less on debt financing in 1973 than they did in 1968. By 1973, rural municipalities relied on debt financing for only one per cent of their expenditures.

Local Reliance on Debt Financing: 1968-73
(percent of total financing)

Table 5

	1968	1973
All	12.2	8.9
Rapid Urban*	10.4	6.8
Stable Urban*	11.6	7.3
Urbanizing*	14.8	11.3
Rural*	11.0	1.0

*Does not include debt for education services.

Property Taxes

Reliance on property taxes as a source of financing decreased in all types of municipalities. In 1968, local government raised about 26 per cent of its revenue from residential property taxes. In 1973, the average dependence on residential taxation declined to 23 per cent of total revenue.

Local Reliance on Property Taxes: 1968-73

Table 6

(percent of total financing)

	1968		1973	
	Residential	Commercial	Residential	Commercial
All	26.3	18.5	23.2	16.1
Rapid Urban	33.5	19.2	29.7	17.2
Stable Urban	24.9	17.0	21.0	15.3
Urbanizing	27.1	8.1	21.6	6.6
Rural	34.2	6.1	26.2	5.2

The relationship between property tax levels and household income provides a measure of the ability of householders to pay property taxes over time. Table 7 shows that gross property tax levels as a per cent of household income declined over the period 1968-73 in each of the four categories of municipalities.

Incidence of Gross
Residential and Gross Farm Taxation Per Household

Table 7

	Percent of Household Income			
	1968	1973	1968	1973
	\$	\$	%	%
Rapid Urban	482	547	4.2	3.7
Stable Urban	357	417	3.1	2.7
Urbanizing	254	275	5.0	3.4
Rural	355	377	7.5	5.6

Ontario Budget 1974

Real property tax levels were further reduced by the impact of Ontario's tax credit programs. From 1968 to 1971, Ontario delivered substantial tax benefits to citizens through the Basic Shelter Grant.⁶ In 1972 the Province introduced the Property Tax Credit which delivers largest benefits to those taxpayers in greatest need. In addition, Ontario has introduced other supplementary tax credit programs for farmers and pensioners.⁷ As a result of these programs, and increased Provincial transfers, net property tax burdens are now lower, on an absolute basis, than they were five years ago. The net property tax levels on a per household basis are outlined in Table 8.

Impact of Ontario
Tax Credits Per Household

Table 8

	1968	1973
Gross Residential Property Tax	\$352	\$389
Average Property Tax Credit	\$ 50	\$ 91
Net Property Tax Level	\$302	\$298
Net Property Tax as a Percent of Household Income	3.7%	2.8%

Ontario Payments to Local Government

The growth of Ontario transfer payments has enabled local government to accommodate successfully strong growth pressures, and, at the same time, reduce the property tax burden in Ontario. The Province's support for local government and its agencies (such as Homes for the Aged) has grown from a level of \$1 billion in 1968 to over \$2 billion in 1973.⁸ The largest increase was an additional \$600 million for education bringing the Province's level of support up to an average of 60 per cent of school board spending. In percentage terms, the largest-growing area of support is unconditional payments which increased from \$40 million in 1968 to over \$200 million in 1973, a four-fold increase. In all, Ontario's support for local government and its agencies, as a per cent of total local revenue, has increased steadily each year, reaching 47 per cent in 1973.

Increased Provincial support was distributed widely among local governments, with all categories of municipalities benefiting from higher payments. The strong equalizing role of Provincial transfers

⁶For a full explanation of Ontario's measures to reduce property tax regressivity, see Hon. W. Darcy McKeough, "Ontario's Property Tax Credit Plan", *Ontario Budget 1972* (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, 1972).

⁷Hon. John White, *Ontario Budget 1973* (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, 1973); and, "Income Security and Tax Reform in Ontario", *Ontario Budget 1974*.

⁸See Table C5, "Ontario Finances", *Ontario Budget 1974*.

Distribution of Ontario Grants by Type of Local Government
(percent of total financing)

Table 9

	1968	1973
Rapid Urban	27.1	35.4
Stable Urban	27.1	41.0
Urbanizing	40.3	53.1
Rural	43.4	62.4

is apparent in the urbanizing and rural municipalities. By 1973, they received more than 50 per cent of their financing from the Province.

Changing Expenditure Priorities

During the past five years the pattern of local spending has changed significantly. Not only have municipalities accommodated high rates of development, but they also have responded to changing social needs and priorities. With the stabilization in student enrolments, the major expenditure shift has been away from the area of education to municipal fund spending. Table 10 shows that education, which accounted for 54 per cent of total local requirements in 1968, had declined to 49 per cent by 1973.

Composition of Local Government Expenditures
(percent of total)

Table 10

	1968	1973
Municipal	45.6	50.9
Education	54.4	49.1

Within the municipal sector itself spending priorities shifted significantly. There was increasing emphasis on police and fire protection,

Composition of Municipal Operating Expenditures
(percent of total)

Table 11

	1968	1973
General Government	9.6	8.3
Protection	18.8	20.9
Public Works	30.6	25.3
Sanitation	10.6	9.4
Social and Family Services	9.4	13.3
Recreation	9.0	10.4
Financial and Other	12.0	12.4
	100.0	100.0

community services and recreation. Allocations to general government and roads and public works, on the other hand, were de-emphasized.⁹

Conclusion

The past five years have been a period of rapid urban growth and rising aspirations within Ontario. Local government has responded effectively to this dynamic era of economic growth and social change. The quality of life in urban and rural Ontario has advanced during this period to a standard unsurpassed anywhere.

Progress to this level demanded a massive increase in the quantity and quality of local services. Local revenue sources simply were not adequate to meet this financial challenge without sizeable mill rate increases. In response, the Province introduced stage one of its reform program to meet the financial need. Its program for revenue sharing with local government and property tax reform made up the bulk of the revenue shortfall, improved the fairness of the property tax base and reduced the net property tax level in Ontario. One issue dominates the outlook for the future. Under continuing growth pressure and the need to improve the quality of urban life, present revenue sources simply are inadequate to meet the needs of local government. In recognition of this financing need the Ontario Government made a long-term commitment to local government at the National Tri-Level Conference in November 1973.¹⁰ This revenue sharing commitment embraced three dimensions of increased financial support:

- a guarantee to increase transfers to local government at the rate of growth in the Province's total revenues;
- a pledge to pass on to local government 100 per cent of the revenues from any increased unconditional tax sharing with the federal government; and
- measures to strengthen municipal borrowing capacity.

IV Financing Future Growth

The Ontario Government has done much over the last five years to rationalize the structure and strengthen the financing of local government. But in a dynamic province such as Ontario, local government will continue to face strong growth pressures in the years ahead. This section projects local government finances for the next three years and discusses their implications for future budgets at the local, provincial and federal levels.

⁹See forthcoming Staff Paper, *Evaluating Local Government Service Levels in Ontario*.

¹⁰Ontario's commitment was set out in a statement by Hon. John White, *Public Finance* (Toronto: Ministry of Treasury, Economics and Intergovernmental Affairs, 1973).

Fiscal Projections to 1976

The following fiscal projections in Table 12 are simply forecasts of the consequences of continuing *current* spending programs and maintaining 1973 mill rates. Municipal spending has been projected at 12.5 per cent per year and school board spending at 8.5 per cent. This projected spending stream may be somewhat conservative if inflation continues at current rates. On the revenue side, property taxes have been extrapolated at just over 4 per cent reflecting the historic rate of increase in the assessment base; special charges have been escalated at 10 per cent in recognition of the higher growth rate of this revenue source in recent years. The projected stream of local government borrowing takes into account the estimated growth in capital spending plus a gradual substitution of debt financing in place of revenue financing

Fiscal Outlook for Local
Government in Ontario
(\$ million)

Table 12

	Estimated		Projected	
	1973	1974	1975	1976
Expenditures:				
Municipalities	2,276	2,552	2,895	3,240
School Boards	2,193	2,391	2,583	2,795
Total	4,469	4,943	5,478	6,035
Revenues:				
Own-account				
● Property Tax	1,714	1,784	1,857	1,933
● Special Charges	49	54	60	66
● Payments-in-lieu	35	36	38	39
● Other Revenues	400	419	441	464
	2,198	2,293	2,396	2,502
Provincial Transfers	1,875	2,152	2,364	2,623
Total	4,073	4,445	4,760	5,125
Borrowing	396	440	490	540
Residual Deficit	—	58	228	370

Note: Figures include only the net contribution by municipalities to local agencies.

Projected Distribution of the Ontario Commitment

Ontario Commitment	2,046	2,288	2,528	2,793
<i>Less Transfers to Local Agencies and other financial adjustments</i>	171	136	164	170
<i>Equals Transfers to Local Governments</i>	1,875	2,152	2,364	2,623

for capital projects. The large increases in Provincial transfers are the result of the Ontario commitment and are based on the assumption that Provincial revenues grow at 10.5 per cent annually over the long run.

These projections confirm again the serious financing problem of local government.¹¹ While expenditures can be expected to grow by at least 10 per cent per year, local government's *own-account* tax sources will likely yield less than 5 per cent more revenues annually.

The Province of Ontario's commitment provides a basic financial underpinning against these needs. As a result the local government sector in Ontario can now count on a guaranteed revenue yield growing at 7.5 per cent per year.

Implications of the Projections

The Province has already committed the maximum financial support within its means over the long run. This means that the remaining financial gap must be cleared by action at the local level or at the federal level. *Only two realistic options are available:*

- mill rate increases every year; or
- a new era in federal tax sharing.

Elimination of the projected deficit stream through use of the property tax would imply an increase in mill rates of 3 per cent in 1974, a further 9 per cent in 1975 and another 6 per cent in 1976. For a homeowner currently paying \$500 in property tax, these mill rate increases would add almost \$100 to his tax bill over the next three years. Moreover, this would represent only a second-best and temporary solution to the long-standing financial problem facing local government. Because the property tax has two inherent drawbacks as a revenue-raising device—low growth potential and regressive characteristics—local government should not be forced to rely on greatly increased use of this traditional revenue source. This course of action would be clearly retrogressive. It would definitely offset the steps that have been taken in the past to stabilize property tax burdens and distribute them on a more equitable basis. A fairer and more realistic remedy is one which will provide local government with access to new, faster-growing revenue sources.

A Tax Sharing Plan for Local Government

The guarantee of the Ontario Government that its financial transfers to local government will grow at the rate of its own revenues has established the foundation for a comprehensive revenue sharing plan. What

¹¹This fiscal imbalance was clearly documented by the Tax Structure Committee in 1966 and confirmed again in 1970. See, Hon. W. Darcy McKeough, *Ontario Budget 1971* (Toronto: Department of Treasury and Economics, 1971) p. 8.

is needed to complete the plan is for the federal government to play its part in correcting the fiscal imbalance of local government. To meet the problem of a growing financial gap, local governments require access to a fast-growing revenue stream such as the personal income tax. Accordingly, the Ontario Government suggests the following plan of income tax sharing, the entire benefits of which would be passed on to local government.

Additional Tax Sharing Federal Govt. to all Provinces		Ontario Revenue Sharing with Local Governments		
Personal Income Tax Points		Revenue	Yield (\$ million)	
		1974	1975	1976
1974	1.5	80	94	111
1975	+2.0	—	125	148
1976	+1.5	—	—	111
	5.0	80	219	370

The plan calls for a gradual transfer of 5 per cent of federal income tax capacity to the provinces and the flow through of these revenues from Ontario to local governments. In terms of federal finances, the costs would be modest. By 1976, Ottawa would relinquish some \$800 million to all provinces, out of a tax source which, in that year alone, will grow by \$2 billion. In terms of municipal finances, however, the benefits would be large. Such a plan would clear the projected deficits of local governments in Ontario over the next three years. But it would also constitute a major long-run reform by restoring to local governments a permanently sound financial base.

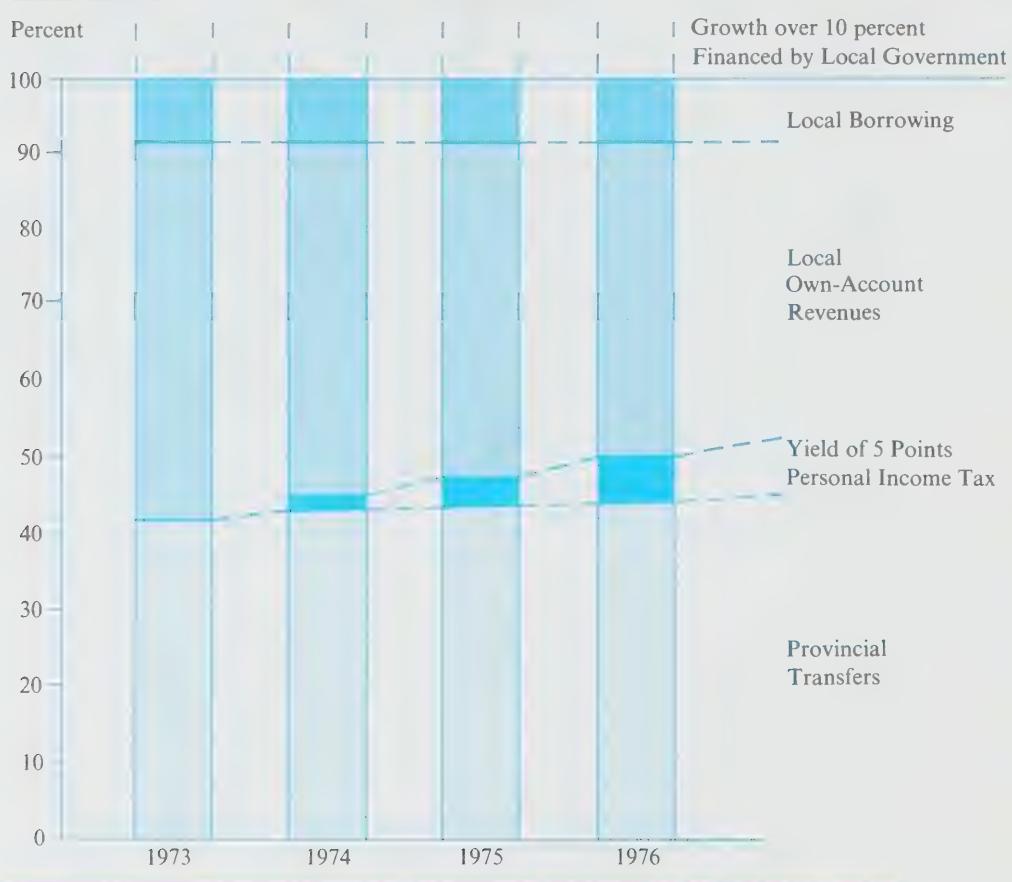
Adoption of this plan would mean that local governments would enjoy a gradually improving revenue mix over time. In 1976, for example, the composite growth rate of their three revenue sources—property tax, provincial transfers and the yield of five income tax points—would exceed 8 per cent per year. (See Chart 2.) By 1980, this new financing base would generate automatic revenue increases of 8.7 per cent per year. This would still leave a residual financing burden directly on local governments after 1976. But it would be a fair and manageable share of the burden, not an excessive share.

Method of Flowing Through New Revenues

Positive action on this plan by the federal government will raise the issue of how these new revenues would be distributed among 800 local governments. There are a number of possibilities. At one extreme, the new revenues could be passed through in the form of across-the-board enrichments to the existing unconditional grants. This would

Distribution of Financing Burden
for Local Government Spending

Chart 2



build into the distribution pattern a sizeable equalization component. At the other extreme, the new revenues could be earmarked and distributed on the basis of the amount of income tax actually collected within each municipal jurisdiction. This would eliminate any redistributive element and, therefore, represent a clean pass-through. The Ontario Government has no particular preference for either option or indeed, for any other potential formula, so long as the revenues are distributed in some form of unconditional transfers.¹² Rather, it will seek the views and ideas of the local governments themselves in order to determine the best method to implement this basic reform.

Conclusion

A federal system must be flexible and adapt to the social and economic changes that take place over time. In the early 1960's, growth pressures

¹²While Ontario is here committing itself to a 100 per cent pass-through, other provinces may choose to allocate their tax points differently.

were felt at the provincial level, and the Canadian federal system responded with expanded tax sharing, cost sharing and equalization. In the 1970's, growth pressures are concentrating at the local level, demanding a new round of intergovernmental fiscal reform.

During the period of the last six years, the Ontario Government implemented a reform program aimed at strengthening local government, both in terms of structure and of financing. At the same time it has acted to constrain property tax increases on Ontario citizens. Section III of this paper has demonstrated that these reform measures have been very successful. Local government has emerged from six years of rapid growth and urbanization in a stronger financial position than ever before. Looking to the future, it is evident, however, that local government will continue to face the twin challenges of managing growth and financing essential public services. Part IV of this paper has set out a comprehensive plan for dealing with this problem of inadequate local finances.

The fiscal reform plan advanced by Ontario requires positive action by each level of government. The Province has already undertaken to do its part by guaranteeing a long-term revenue stream to local government and by pledging to pass on the full revenue benefits of any new tax sharing with Ottawa. The federal government's contribution would simply amount to a gradual transfer of five income tax points out of its surplus revenue-generating capacity. Access to these fast-growing revenues would place local governments in Ontario on a permanently sound financial base, and leave them the full responsibility for financing spending growth in excess of 10 per cent per year. Under such a fundamental reform plan the prospect of substantial mill rate increases would be removed.

Appendix A

Local Government Expenditures and Revenues
(\$ million)

Table A1

	1968	Percent	1973 ¹	Percent	Index 73/68 1968 = 100
Expenditures—Revenue Fund					
Municipal					
General Government	95.2	9.6	143.7	8.3	151
Protection	185.5	18.8	362.9	20.9	196
Public Works	302.7	30.6	440.9	25.3	146
Sanitation	104.4	10.6	163.4	9.4	157
Social and Family	93.4	9.4	231.6	13.3	248
Recreation and Community	88.9	9.0	180.6	10.4	203
Financial and Other	119.2	12.0	216.0	12.4	181
Subtotal	989.3	100.0	1,739.1	100.0	176
Education	1,301.6		2,078.0		160
Total	2,290.9		3,817.1		167
Expenditures—Capital Fund					
Municipal	390.2	54.0	638.4	76.9	164
Education	332.7	46.0	192.1	23.1	58
Total	722.9	100.0	830.5	100.0	115
Total Expenditures²	2,901.4		4,468.6		154

(Continued)

¹All 1973 values are estimated.²Total Expenditure = Revenue Fund + Capital Fund Expenditures *less* Capital Fund Expenditures financed out of Revenue Fund Revenues.

Local Government Expenditures and Revenues
 (\$ million)

Table A1
 (Continued)

	1968	Percent	1973	Percent	Index 73/68 1968=100
Revenues—Revenue Fund					
Municipal					
Property Taxation ³	641.2	64.8	951.0	54.7	148
Provincial Transfers ⁴	219.8	22.2	534.5	30.7	243
Other Revenue	128.3	13.0	253.6	14.6	200
Total	989.3	100.0	1,739.1	100.0	176
Education					
Property Taxation	660.7	50.8	812.4	39.1	123
Provincial Transfers	571.1	43.8	1,219.4	58.7	214
Other Revenue	69.8	5.4	46.2	2.2	66
Total	1,301.6	100.0	2,078.0	100.0	160
Total	2,290.9		3,817.1		167
Revenues—Capital Fund					
Municipal					
Long Term Liabilities	165.1	42.3	299.0	46.8	181
Provincial Transfers	72.2	18.5	118.0	18.5	163
Revenue Fund	56.8	14.6	102.0	16.0	180
Reserves, Reserve Funds, Canada					
Transfers and Other	96.1	24.6	119.4	18.7	124
Total	390.2	100.0	638.4	100.0	164
Education					
Long Term Liabilities	192.3	57.8	96.6	50.3	50
Provincial Transfers	65.1	19.6	2.5	1.3	4
Revenue Fund	55.6	16.7	77.0	40.1	138
Reserves, Reserve Funds, Canada					
Transfers and Other	19.7	5.9	16.0	8.3	81
Total	332.7	100.0	192.1	100.0	58
Total	722.9		830.5		115
Total Revenues	2,901.4		4,468.6		154

³Property taxation includes special charges (i.e. special area levies).

⁴Provincial transfers do not include Ontario payments-in-lieu of local property taxation.

Selected Municipalities by Municipal Category

Table A2

Area Municipality	County/Region	Area Municipality % Population Change 1968-1973 ¹
I Rapid Urban		
1. City of Oshawa		13.6
2. Township of Nepean	Region of Ottawa-Carleton (1969-73)	28.6
3. Borough of North York	Metropolitan Toronto	25.6
4. City of Niagara Falls	Region of Niagara	15.1
5. Town of Oakville	County of Halton	18.6
6. City of Waterloo	Region of Waterloo (1973)	28.6
7. City of Belleville		10.1
8. City of Barrie		12.5
9. City of St. Thomas		10.6
10. City of Orillia	County of Simcoe (1968)	9.4
II Stable Urban		
1. City of Kingston		5.6
2. City of Cornwall		(1.0)
3. City of Woodstock		0.9
4. City of Ottawa	Region of Ottawa-Carleton (1969-73)	0.3
5. City of Sarnia		(2.2)
6. City of Brockville		(0.8)
7. City of Owen Sound		(1.4)
8. City of Pembroke	County of Renfrew (1968-70)	(0.5)
9. Town of Cobourg	County of Northumberland and Durham	1.7
III Urbanizing		
1. Town of Orangeville	County of Dufferin	36.6
2. Township of Sidney	County of Hastings	24.2
3. Township of Innisfil	County of Simcoe	35.6
4. Township of Ernesttown	County of Lennox and Addington	33.1
5. Township of Clarke	County of Northumberland and Durham	27.6
6. Township of Smith	County of Peterborough	23.8
7. Township of Gosfield South	County of Essex	20.9
8. Township of Essa	County of Simcoe	19.5
9. Township of Osgoode	Region of Ottawa-Carleton (1969-73)	24.7
10. Township of Maidstone	County of Essex	16.6
IV Rural		
1. Township of Darlington	County of Northumberland and Durham	(1.9)
2. Township of Raleigh	County of Kent	0.9
3. Township of Windham	County of Norfolk	(8.5)
4. Township of Brantford	County of Brant	(1.4)
5. Township of Murray	County of Northumberland and Durham	5.9
6. Township of Burford	County of Brant	(2.6)
7. Township of Charlottetown	County of Norfolk	(5.2)
8. Township of Dereham	County of Oxford	(6.0)
9. Township of Mersea	County of Essex	4.8
10. Township of Harwich	County of Kent	3.9

¹All 1973 values are estimated.

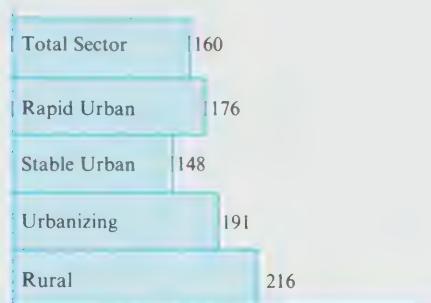
Chart A1

Comparative Expenditure Patterns by Selected Municipal Categories Index 1973/1968, 1968=100

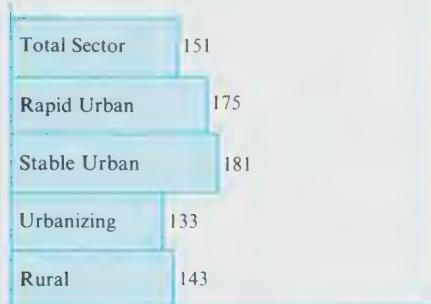
(i) Total Municipal



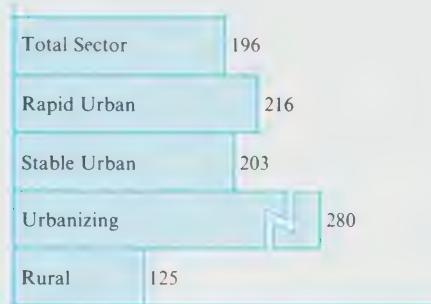
(ii) Education



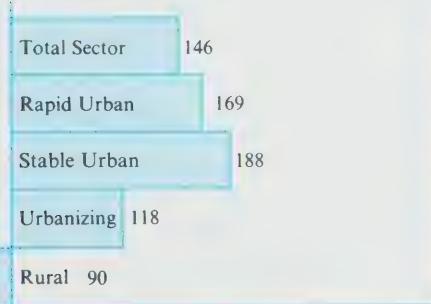
(iii) General Government



(iv) Protection



(v) Roadways



(vi) Sanitation



(vii) Social and Family Services



(viii) Recreation and Community Services



Table A3

Expenditure Performance by Function for Selected Municipal Categories
(\$ million)

	Urbanizing			Rural			Index 1973/1968 1968=100
	1968	%	1973	%	1968	%	
Growth Characteristics							
Population (,000)	65		84		129		69
Households (,000)	24		32		133		21
Personal Income per Household (\$)	5,042		8,109		161		6,718
Equalized Assessment					4,751		
Residential & Farm (\$ million)	391		512		115		556
Commercial & Business (\$ million)	109		147		135		87
Revenue Fund Expenditure							
Municipal	0.9	11.4	1.2	10.3	133	0.7	9.1
General Government	0.5	6.4	1.4	11.6	280	0.4	5.2
Protection					118	4.9	63.6
Roadways	3.9	50.0	4.6	38.8			4.4
Sanitation	0.2	2.6	0.9	8.1	450	0.1	1.3
Social and Family Services	0.7	9.0	1.4	11.7	200	0.5	6.5
Recreation and Comm. Services	0.2	2.6	0.5	3.9	250	0.1	1.3
Financial and Other ¹	1.4	18.0	1.8	15.6	129	1.0	13.0
Subtotal	7.8	<u>100.0</u>	<u>11.8</u>	<u>100.0</u>	151	<u>7.7</u>	<u>100.0</u>
Education	11.3		21.6		191	12.0	25.9
Total Revenue Fund Expenditure	19.1		33.4		175	19.7	36.0
Capital Fund Expenditure							
Municipal	2.1	41.5	7.6	97.4	362	2.5	52.1
Transfers to Municipal Enterprises	2.9	58.5	0.2	2.6	69	2.3	47.9
Total Municipal Capital Fund Expenditure	5.0	100.0	7.8	100.0	158	4.8	100.0
Total Expenditure ²	23.6		40.7		172	22.6	40.3

¹Other includes Other Public Works, Health, Planning and Development, Financial and Other.

²Capital Expenditure from Revenue Fund has been eliminated to avoid double counting.

Expenditure Performance by Function for Selected Municipal Categories
(\$ million)

Table A3
(Continued)

	Rapid Urban			Stable Urban			Index 1973/1968 1968 = 100
	1968	%	1973	%	1968	%	
Growth Characteristics							
Population (,000)	802		973		121		537
Households (,000)	229		295		129		160
Personal Income per Household (\$)	11,422		14,891		130		11,358
Equalized Assessment							
Residential and Farm (\$ million)	4,196		6,276		150		2,167
Commercial and Business (\$ million)	2,297		3,478		151		1,458
Revenue Fund Expenditure							
Municipal							
General Government	8.5	7.2	14.9	6.4	175	7.3	8.6
Protection	24.3	20.6	52.6	22.5	216	18.1	21.4
Roadways	21.4	18.2	36.2	15.5	169	13.9	16.5
Sanitation	14.9	12.7	23.7	10.1	159	9.4	11.2
Social and Family Services	10.6	9.0	29.4	12.6	277	11.4	13.5
Recreation and Comm. Services	12.6	10.7	27.0	11.5	215	8.9	10.5
Financial and Other ¹	25.5	21.6	49.7	21.4	195	15.3	18.3
Subtotal	117.8	100.0	233.5	100.0	198	84.3	100.0
Education	153.3		269.0		176	108.2	160.9
Total Revenue Fund Expenditure	271.1		502.5		185	192.5	317.0
Capital Fund Expenditure							
Municipal							
Transfers to Municipal Enterprises	53.9	84.0	77.8	82.9	144	25.9	61.5
Total Municipal Capital Fund Expenditure	10.2	16.0	16.0	17.1	157	16.3	38.5
Total Expenditure ²	64.1	100.0	93.8	100.0	146	42.2	100.0
	327.3		580.0		177	231.2	366.4

¹Other includes Other Public Works, Health, Planning and Development, Financial and Other.
²Capital Expenditure from Revenue Fund has been eliminated to avoid double counting.

Revenue by Source by Selected Municipal Categories

(\$ million)

Table A4

	1968	Rapid Urban			Stable Urban			Index 1973/1968 1968 = 100	Index 1973/1968 1968 = 100
		%	1973	%	1968	%	1973		
Revenue Fund Revenues									
Municipal									
Property Taxation	85.9	72.9	143.2	61.4	167	47.6	56.5	80.0	51.2
Provincial Transfers	14.6	12.4	51.0	21.8	349	12.0	14.2	31.2	20.0
—Basic Support	1.7	1.4	6.5	2.8	382	0.5	0.6	4.8	3.1
—Equalization									960
Subtotal	16.3	13.8	57.5	24.6	353	12.5	14.8	36.0	23.1
Other Revenue	15.6	13.3	32.8	14.0	210	24.2	28.7	40.1	25.7
Total	117.8	100.0	233.5	100.0	198	84.3	100.0	156.1	100.0
Education									
Property Taxation	86.8	56.7	128.8	47.9	148	49.2	45.4	52.8	32.8
Provincial Transfers	43.7	28.5	97.4	36.2	223	28.8	26.6	72.0	44.7
—Basic Support	15.0	9.8	31.1	11.6	207	13.3	12.3	26.5	16.6
—Equalization									199
Subtotal	58.7	38.3	128.5	47.8	219	42.1	38.9	98.5	61.2
Other Revenue	7.7	5.0	11.7	4.3	152	16.9	15.7	9.6	6.0
Total	153.3	100.0	269.0	100.0	176	108.2	100.0	160.9	100.0
Total Revenue Fund Revenues	271.1		502.5		183	192.5		317.0	165

Capital Fund Revenues									
Municipal									
Long Term Liabilities	34.0	53.1	39.7	42.3	117	26.9	63.7	26.7	50.0
Contributions from Other Governments	13.8	21.5	19.0	20.2	138	8.1	19.2	15.8	29.5
Contributions from Revenue Fund	7.9	12.4	16.3	17.4	206	3.5	8.3	4.0	7.6
Contributions from Res./Res. Fund	5.9	9.1	13.0	13.9	220	3.0	7.0	5.8	10.9
Other	2.5	3.9	5.8	6.2	232	0.7	1.8	1.1	2.0
Total Capital Fund Revenues	64.1	100.0	93.8	100.0	146	42.2	100.0	53.4	100.0
Total Revenues ¹	327.3		580.0		177	231.2		366.4	
									158
Tax Levy by Category									
Gross Res. and Farm Property Tax	110.3	70.9	161.3	61.4	146	57.1	67.2	76.8	60.5
Property Tax Relief	(17.2)	(11.1)	(9.3)	3.5	54	(11.8)	(13.9)	(5.9)	(4.6)
Net Res. and Farm Property Tax	93.1	59.8	152.0	57.9	163	45.3	53.3	70.9	55.9
Comm/Ind/Bus/Property Tax	63.5	40.8	92.6	35.2	146	38.9	45.8	56.0	44.1
Adjustments	(1.1)	(0.6)	18.1	6.9		0.8	0.9	0.0	0.0
Net Total Property Taxation	155.5	100.0	262.7	100.0	169	85.0	100.0	126.9	100.0
Gross Res. Property Tax per Household	\$482		\$547		114	\$357		\$417	
Property Tax Relief per Household	75		32		43	75		32	
Net Res. Property Tax per Household	407		515		127	282		385	
Residential Property Tax per Household									137
% of Personal Income per Household	3.7		3.5		95	2.5		2.5	100

¹Capital Expenditure from Revenue Fund has been eliminated to avoid double counting.

Revenue by Source by Selected Municipal Categories
(\$ million)

Revenue Fund Revenues	Urbanizing			Rural			Index 1973/1968 1968=100	Index 1973/1968 1968=100
	1968	%	1973	%	1968	%	1973	%
Municipal								88
Property Taxation	3.7	47.4	5.2	44.1	141	4.8	61.5	41.6
Provincial Transfers	1.6	20.5	3.0	25.4	187	1.6	20.5	33.7
—Basic Support	1.1	14.1	1.2	10.2	109	1.7	21.8	20.8
—Equalization								124
Subtotal	2.7	34.6	4.2	35.6	156	3.3	42.3	54.5
Other Revenue	1.4	18.0	2.4	20.3	171	(0.3)	(3.8)	3.9
Total	7.8	100.0	11.8	100.0	151	7.8	100.0	100.0
Education								129
Property Taxation	4.6	37.2	6.3	29.2	137	4.4	36.7	8.4
Provincial Transfers	3.4	30.1	8.7	40.0	256	3.4	28.3	9.8
—Basic Support	2.6	23.0	6.3	29.1	242	2.8	23.3	6.8
—Equalization								243
Subtotal	6.0	53.1	15.0	69.1	250	6.2	51.6	64.1
Other Revenue	0.7	9.7	0.3	1.7	43	1.4	11.7	3.5
Total	11.3	100.0	21.6	100.0	191	12.0	100.0	100.0
Total Revenue Fund Revenues	19.1		33.4		175	19.8	36.0	182

Capital Fund Revenues									
Municipal									
Long Term Liabilities	3.5	70.0	4.6	59.0	131	2.5	49.0	0.4	7.4
Contributions from Other Governments	0.8	16.0	2.4	30.8	300	0.4	7.8	2.7	46.3
Contributions from Revenue Fund	0.5	10.0	0.5	6.4	100	1.7	37.3	1.3	24.1
Contributions from Res./Res. Fund	0.2	4.0	0.2	2.6	100	0.1	2.0	0.1	1.9
Other	0.0	0.0	0.1	1.2		0.2	3.9	1.1	20.2
Total Capital Fund Revenues	5.0	100.0	7.8	100.0	156	4.9	100.0	5.6	100.0
Total Revenues¹	23.6	40.7			172	22.8		40.1	106
									174
Tax Levy by Category									
Gross Res. and Farm Property Tax	6.1	85.9	8.8	79.3	144	7.1	87.7	8.3	68.0
Property Tax Relief	(1.2)	(16.9)	(0.4)	(3.6)	33	(1.1)	(13.6)	(0.4)	(3.3)
Net Res. and Farm Property Tax	4.9	69.0	8.4	75.7	171	6.0	74.1	7.9	64.7
Comm/Ind/Bus/Property Tax	1.8	25.4	2.7	24.3	151	1.2	14.8	1.5	12.3
Adjustments	0.4	5.6	0.0			0.9	11.1	2.8	23.0
Net Total Property Taxation	7.1	100.0	11.1	100.0	156	8.1	100.0	12.2	100.0
Gross Res. Property Tax per Household	\$254		\$275		108	\$355		\$377	106
Property Tax Relief per Household	50		12		24	55		18	33
Net Res. Property Tax per Household	204		263		129	300		359	120
Residential Property Tax per Household as % of Personal Income per Household			3.3		79	6.3		5.3	84

¹Capital Expenditure from Revenue Fund has been eliminated to avoid double counting.

